

# EMPLOYEES' RETIREMENT SYSTEM

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## Limitation on Annual Earnable Compensation Subject to Retirement Deductions

Act 95-203 limits earnable compensation on which a member of the Employees' Retirement System (ERS) may make retirement contributions. This limitation is effective for the plan year that began October 1, 1996, and for all subsequent plan years. The limitation adopted by this Act is the limitation imposed by §401(a)(17) of the Internal Revenue Code as applied to public pension funds. Only employees who became members of the ERS on or after October 1, 1996, shall be subject to the limitation. **Any employee who was a member of the Employees' Retirement System before October 1, 1996, shall not be subject to the limitations set forth in §401(a)(17).**

The limit on earnable compensation for the period October 1, 2007, through September 30, 2008, is \$225,000.00. This is the maximum amount on which a person who became a member of the ERS on or after October 1, 1996, may contribute during the plan year 2007-2008. Thus, during the plan year 2007-2008, the total retirement contributions are limited to \$11,250.00 for members who contribute at the 5% rate, \$13,500.00 for members who contribute at the 6% rate and \$22,500.00 for members who contribute at the 10% rate. Retirement contributions should be stopped on persons subject to this limit when contributions reach the above-stated limit for this plan year and resumed at the beginning of the next plan year, October 1, 2008.

The annual earnable compensation limit will be adjusted for changes in the cost-of-living by the Commissioner of the Internal Revenue Service. The ERS will advise you of any future changes to the annual limit. The earnable compensation upon which an employee contributes under this limit is the compensation for that year on which retirement benefits will be based. Please be reminded that this limit does not apply to any person who became a member of the ERS prior to October 1, 1996.